

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-902

November 24, 1998

PUBLIC UTILITIES COMMISSION
Investigation Into Rates
of Saco River Telephone and Telegraph
Company Pursuant to 35-A M.R.S.A. § 7101-B

NOTICE OF
INVESTIGATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we initiate an Investigation into the rates of Saco River Telephone and Telegraph Company (the Company). Specifically, we will examine the revenue effects of our implementation of the access rate reductions required by Maine's access parity law, codified at 35-A M.R.S.A. § 7101-B.

II. BACKGROUND

The Commission initiates this investigation as an adjunct to our implementation of Maine's access parity law. The access parity law, signed into law on May 22, 1997, requires that we establish, by May 30, 1999, intrastate access rates that are less than or equal to the interstate access rates that are established by the FCC, notwithstanding any other provisions of law.

A. Interstate Access Rates

Currently, the Company does not charge company-specific interstate access rates but concurs in the rates established by the National Exchange Carrier Association (NECA). The Company in turn receives compensation for handling interstate traffic from the NECA pool, which operates in the following manner.

Long distance companies pay access charges for connection to the local telephone companies' networks. NECA manages the distribution of these interstate access revenues. Some 800 companies voluntarily participate in this process. On behalf of these companies, NECA prepares and files with the FCC a single tariff that includes rates that are based on the companies' costs of providing interstate access service and forecasted demand quantities.

Through the NECA revenue pooling process, the companies bill the interexchange carriers at the pool tariff rates for use of their local networks. Both the revenues and individual costs

are then submitted to NECA. The companies recover their individual costs from the pool. Any remaining access revenues are divided according to each company's share of pool investment. Instead of using actual costs, some companies opt for recovery on the basis of average schedules, which are also prepared by NECA.

NECA's members participate in revenue distribution as either cost companies or average schedule companies. Cost companies receive pool revenues (settlements) for interstate telecommunications services based on their actual interstate investment and expenses, calculated each year from detailed cost and separations studies. In lieu of performing separations studies to determine actual costs, average schedule companies have their pool "settlement" determined based on a series of statistical formulas developed by NECA. Each December 31st, NECA submits modifications to prior year average schedule formulas for approval by the FCC.

The Company draws from the revenues created by this pool to recover its costs for providing access to its network to interstate carriers. Saco River Telephone and Telegraph Company is an average schedule company.

B. INTRASTATE ACCESS RATES

Saco River Telephone and Telegraph Company currently charges an average access rate derived approximately from the Company's 1997 intrastate settlement revenues divided by 1996 minutes of use, reduced by 40% of any outstanding difference between settlement rates and NECA disbursements as required by the Commission's Chapter 280 Rule on access rates. Previously, intrastate access revenues were derived from contractual agreements (known as settlements) with Bell Atlantic - Maine (BA-ME). When BA-ME chose not to renew these settlement contracts, Saco River Telephone Company filed individual access rates.

III. DESCRIPTION OF PROCESS

As required by statute, Saco River Telephone and Telegraph Company's intrastate access rates must be reduced to the interstate level or lower no later than May 30, 1999. This investigation will consider the potential financial impact upon the Company from this change, and may examine other factors, such as changes to basic local exchange rates or the need for a state universal service fund, that may be needed to offset all or a part of the revenue effect of access rate reductions. Any adjustment to revenues will be based on an assessment of amounts needed to allow the Company an opportunity to earn a fair rate of return.

This investigation is an adjudicatory proceeding. However, we will allow the parties, in consultation with the Advisory Staff, a period of time to resolve these matters by stipulation. If an agreement cannot be reached, a schedule for hearings will be established so that we can reach a decision for implementation by May 30, 1999.

Any person wishing to intervene in this docket should file a petition to intervene by December 4, 1998. Petitions to intervene must state the name of the person intervening, the docket number of the proceeding and the manner in which the person is affected by the proceeding. The petition must also include a short and plain statement of the nature and extent of the participation being sought, and a statement of the nature of any proposed evidence or argument. Any objection to petitions to intervene should be filed by December 9, 1998. Petitions should be filed with the Commission's Administrative Director, Public Utilities Commission, 18 State House Station, Augusta, Maine 04333-0018.

V. CONCLUSION AND ORDERING PARAGRAPHS

Therefore we

O R D E R

1. That an investigation be commenced to consider the intrastate access rates and related matters as described in the body of this Order for Saco River Telephone and Telegraph Company.

2. That the Administrative Director publish the attached notice in a newspaper of general circulation in the Company's service territory.

Dated at Augusta, Maine this 24th day of November, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

MAINE PUBLIC UTILITIES COMMISSION
INVESTIGATION INTO THE RATES OF
SACO RIVER TELEPHONE AND TELEGRAPH COMPANY
PURSUANT TO 35-A M.R.S.A. 7101-B

Docket No. 98-902

The Legislature passed a law requiring intrastate access rates for long distance telephone service be set equal to or lower than interstate access rates no later than May 30, 1999. In complying with that law, the Commission is reviewing Saco River Telephone and Telegraph Company's overall rate structure and earnings.

To present your views on Saco River Telephone and Telegraph Company's rate investigation, you may participate in one of two ways:

1. You may petition to intervene. If your petition to intervene is granted, you will be a party with the right to participate formally in any hearings and in negotiations. Your petition must be made in writing and must state the name and docket number of this proceeding, and the manner in which you are affected by the proceeding. Your petition must also include a short and plain statement of the nature of evidence or argument you intend to submit. Your petition must be received by the Administrative Director, Public Utilities Commission, 242 State Street, Augusta, Maine 04333-0018, no later than December 4, 1998. You must send a copy of your petition to Saco River Telephone and Telegraph Company, PO Box 408, Bar Mills, ME 04004-0048. If your petition is denied, you may still request that your name be placed on the Commission's mailing list for this case as described below.

2. You may request that your name be added to the mailing list as an interested person. If your name is added to the mailing list as an interested person, you will receive notice of the time and place of any hearings, including public witness hearings, held in this case.

If you need more information about which method of participation you should choose, write to the Administrative Director at the above address or call (207) 287-3831.

Title 35-A of the Maine Revised Statutes and Commission rules will govern this proceeding.